TOWNSHIP OF NADEAU REPORT ON FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION YEAR ENDED MARCH 31, 2006

AUDITING PROCEDURES REPORT

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yes	⊠ no	19 4. Th	68, as an	mend Init h	ed). as viol	ated the c	onditions		rder issued u	nder the M	unicipal Finance Ac
yes	⊠ no					-		which do not o A. 55 of 1982, a	• -	-	quirements. (P.A. 26 32}).
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☐ yes	⊠ no	ea the	med pen	sion Iding	benefit credits	s (normal	costs) in	the current year	ar. If the plan	is more tha	to fund current yea in 100% funded and itions are due (paid
yes	⊠ no		e local u 95 (MCL			dit cards a	and has i	not adopted an	applicable p	olicy as requ	uired by P.A. 266 o
yes	yes 🗓 no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).										
We hav	e enclos	sed th	follow	ing:					Enclosed	To Be Forwarde	Not d Reguired
	er of comm										X
Reports on individual federal financial assistance programs (program audits).					Х						
Single Audit Reports (ASLGU).											
RAY	Certified Public Accountant (Firm Name) RAY PAYMENT, CPA										
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RAYMOND L. PAYMENT CERTIFIED PUBLIC ACCOUNTANT

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August 25, 2006

INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Township of Nadeau Menominee County, Michigan

I have audited the general purpose financial statements of Nadeau Township, Michigan as of and for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Township of Nadeau prepares it's financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Township has not maintained a record of its general fixed assets and, accordingly, the General Fixed Asset Account Group is not included in this report, as required by generally accepted accounting principles.

Management has not presented government-wide statements to display the financial position and changes in financial position

August 25, 2006

of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities and business-type activities are not reasonably determinable.

In my opinion, except for the effects of the omission of the general fixed assets and governmental-wide statements, as discussed above, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Township's fund types at March 31, 2006, and revenues received and the expenditures paid of such fund types are discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

In accordance with <u>Government Auditing Standards</u>, I have also issued my report dated August 25, 2006, on my consideration of Nadeau Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of Nadeau Township, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ray L. Payment

Certified Public Accountant

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TOWNSHIP OF NADEAU COMBINED BALANCE SHEET - CASH BASIS ALL FUND TYPES AND ACCOUNT GROUPS MARCH 31, 2006

	Governmental Fund Types Special				Account Groups General Long-		
		<u>General</u>	_	Revenue		Term Debt	
ASSETS: Cash and C.D.'s Amount to be provided for retirement of general long-	\$	206 881	\$	39 583	\$	-	
term debt	_					29 000	
TOTAL ASSETS	\$	206 881	\$	39 583	\$	29 000	
	_		_				
LIABILITIES: Bonds Payable - U.S.D.A.	\$	_	\$		\$	29 000	
FUND EQUITY: Fund balances - unrestricted - restricted	\$	191 822 15 059	\$ \$	39 583 –	\$	<u>-</u> -	
		, 5 0 0 5 5	Ψ				
TOTAL FUND EQUITY AND LIABILITIES	\$	206 881	\$	39 583	\$	29 000	
				8 11 81 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1			

TOWNSHIP OF NADEAU COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS ALL GOVERNMENTAL FUND TYPES FOR YEAR ENDED MARCH 31, 2006

CASH RECEIPTS: Current property taxes Delinquent taxes Liquor license fees State revenue sharing Swamp tax Charges for services - fire Tax collection fees and penalties Interest Reimbursements and miscellaneous	Governmenta General \$ 31 323	1 Fund Types
Cemetery lots sales and burials Hanahville grants	6 175 10 <u>400</u>	5 320
TOTAL RECEIPTS	<u>138 476</u>	44 064
Legislative: Township board expenses and trustees General Government: Township supervisor Tax roll preparation and collection U.S.D.A. loan payments Assessor and expense Insurance Township clerk Board of Review and chargebacks Treasurer Township Hall, custodian & hydrant Social security tax Metro Act expenses Audit Elections Liquor Law enforcement Fire protection Highways, roads and street lights Cemetery Recreation and parks	4 635 6 603 5 091 689 17 213 9 859 6 197 1 059 5 431 6 731 2 057 4 494 150 418 - 33 475 12 483 2 011	- - - - - - - - - - - - 880 34 733
TOTAL DISBURSEMENTS	118 596	35 613
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	\$ 19 880	\$ 8 451
FUND BALANCE, April 1, 2005	187 001	31_132_
FUND BALANCE, March 31, 2006	\$206 881	\$ 39 583

TOWNSHIP OF NADEAU

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS
GENERAL AND SPECIAL REVENUE FUNDS
MARCH 31, 2006

		General <u>Fun</u>	ıd
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS: Property taxes Liquor license fees	\$ 34 955	\$ 32 095	\$ 2 860
State revenue sharing Swamp tax	64 726 1 200	53 561 1 200	11 165 -
Tax collection fees Interest	11 661 3 878	11 000 2 069	661 1 809
Cemetery Reimbursements & miscellaneous Hannahville grants	6 175 5 481 10 400	3 900 11 180 	2 275 (5 699) 10 400
TOTAL RECEIPTS	138 476	115 005	23 471
CASH DISBURSEMENTS: Township board expenses			
and trustees Elections	4 635 418	4 345 2 000	(290) 1 582
Supervisor Clerk	6 603 6 197 5 431	6 385 6 950	(218) 753 304
Treasurer Cemetery Assessor	5 431 12 483 17 213	5 735 10 200 17 320	(2 283) 107
Board of review and chargebacks Township hall and custodian Audit	1 059 6 731 150	1 000 6 700 400	(59) (31) 250
Liquor law enforcement Tax roll preparation & collection Fire Protection	5 091 -	5_094 _	3
Highways, roads & street lights Social security tax Insurance Recreation and parks	33 475 2 057 9 859 2 011	35 500 1 900 12 000 1 900	2 025 (157) 2 141 (111)
Metro Act expenses and contingencies Equipment, building and	4 494	9 676	5 182
loan payments	689	3 000	2 311
TOTAL DISBURSEMENTS	118 596	130 105	11_509_
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	\$ 19 880	\$(15 100)	\$ 34 980
FUND BALANCE, April 1, 2005	187 001	187 001	
FUND BALANCE, March 31, 2006	\$206 881	\$171 .901	\$ 34 980

See accompanying notes to financial statements.

Actual Amount \$ 24 097	Amount 7 \$ 23 000	Variance Favorable (Unfavorable)
		4 007
		\$ 1 097 - - -
488	_ 250 	238
13 279 5 320		3 579 5 320
44_064	33 830	10 <u>234</u> _
_	-	-
- -	- - -	- - -
	- - -	- - -
- - -	_ _ _	- - -
880 - 34 7 33	_	- - (2 088)
- -		- - -
	=	Ξ
35_613	33_525	(2 088)
\$ 8 451	\$ 305	\$ 8 146
	\$ 31 437	

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NOTE 1 - REPORTING ENTITY

Nadeau Township is located in Menominee County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NCGA Statement 3, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by the NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Educational services are provided through the School System which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

FIDUCIARY FUNDS

Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The Agency Funds are the Current Tax Collection Fund and Trust and Agency Fund.

SPECIAL REVENUE FUNDS

Liquor Fund and Fire Fund

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nadeau Township do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

BASIS OF ACCOUNTING

Governmental Funds

The accounting policies of Nadeau Township do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fiduciary Funds

The Fiduciary Fund is maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Budgets and Budgetary Accounting

A budget is adopted by the Township Board for the General Fund and Special Revenue Funds based on anticipated required cash disbursements for the fiscal year April 1, 2005 through March 31, 2006, which is consistent with the cash basis of accounting for governmental fund types. The budget is adopted at the line item level. The Township Board is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. The amounts budgeted are presented on page 7. All appropriations lapse at fiscal year-end.

PROPERTY TAXES

The Township's 2005 ad valorem tax was levied and collectible on December 31, 2005. It is the Township's policy to recognize revenues form the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of Township operations. Payment from the county which purchases the 2005 delinquent taxes was recognized as revenues when received in cash. (See schedule on page 15 for levy breakdown and millage rates).

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in one bank in the name of Nadeau Township Treasurer. Michigan complied Laws, Section 124.91, authorizes the Township Treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by tow standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement No. 3 Risk Disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	Carrying	Amo	<u>ount</u>
Insured (FDIC) Non-insured	\$		000 464
TOTAL DEPOSIT	\$	246	464

NOTE 4 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 5 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Township's expense is to pay only the annual premium. In addition, the Township purchases worker's compensation insurance.

NOTE 6 - RESTRICTED FUND BALANCE

The restricted portion of the General Fund Balance is for the Township's Cemetery maintenance in the amount of \$6,368, Bond and Interest redemption in the amount of \$3,630, and roads \$5,061.

NOTE 7 - GENERAL LONG-TERM DEBT

The following is a summary of the general long-term debt of the Township for the year ended March 31, 2006.

Bonds Payable - U.S.D.A.

Original issue date August 1, 2002 in the amount of \$130,000 for the purpose of purchasing furnishing and remodeling a new Town hall building for Township purposes.

2002 GENERAL OBLIGATION LIMITED TAX BOND DEBT

Date	<u>Pr</u>	incipal	Coupon	<u>In</u>	<u>terest</u>	<u>Peric</u>	od To	<u>otal</u>
8/1/06 2/1/07 8/1/07 2/1/08 8/1/08	\$	3 000 - 3 000 - 3 000	4.75% 4.75% 4.75% 4.75% 4.75%	\$	689 618 618 547 547	\$		689 618 618 547 547
8/1/09 - 8/1/30		20 000						
TOTAL	\$	29 000						

The bond ordinance requires the interest and bond redemption requirements for the year be deposited in the bond and interest redemption fund as it matures. The Township's balance at March 31, 2006 in this account was \$3,630.

TOWNSHIP OF NADEAU COMBINING BALANCE SHEET SPECIAL REVENUE FUNDS MARCH 31, 2006

·	Liquor Fund	Fire <u>Fund</u>
CASH	\$ -	\$ 39 583
FUND BALANCE	\$ -	\$ 39 583

TOWNSHIP OF NADEAU COMBINING STATEMENT OF CASH RECEIPTS DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS ALL SPECIAL REVENUE FUNDS YEAR ENDED MARCH 31, 2006

	Liquor <u>Fund</u>	Fire Fund
CASH RECEIPTS: Current taxes Delinquent taxes Liquor license fee Charges for services - fire Reimbursements and miscellaneous Interest Fire equipment grant	\$ - - 880 - - - -	\$ 22 016 2 081 - 9 378 3 901 488 5 320
TOTAL CASH RECEIPTS CASH DISBURSEMENTS: Liquor law enforcement Fire protection and equipment U.S.D.A. Loan payment	880 880 	43 184
TOTAL CASH DISBURSEMENTS	880	34 733
EXCESS OF CASH RECEIPTS (UNDER) OVER DISBURSEMENTS	\$ -	\$ 8 451
FUND BALANCE, April 1, 2005		31 132
FUND BALANCE, March 31, 2006	\$ -	\$ 39 583

TOWNSHIP OF NADEAU STATEMENT OF CHANCES IN ASSETS AND LIABILITIES ALL FIDUCIARY FUND TYPES MARCH 31, 2006

CURRENT TAX COLLECTION FUND	Balance April 1, 2005	Additions Deductions	Balance March 31, 2006
<u>ASSETS</u> Cash	<u>\$</u>	<u>\$ 766 058</u>	\$ -
TOTAL ASSETS	\$ -	\$ 766 058 \$ 766 058	\$ -
LIABILITIES Due to other taxing units: Township of Nadeau - General Fund Fire Fund Menominee County Intermediate School District State of Michigan Area Schools	 	\$ 44 763 \$ 44 763 22 049 22 049 198 664 198 664 50 276 50 276 136 846 136 846 313 460 313 460	\$ - - - - -
TOTAL LIABILITIES	\$ -	\$ 766 058 \$ 766 058	\$ -

TOWNSHIP OF NADEAU SCHEDULE OF ASSESSED VALUATIONS, TAX RATES AND TAX LEVIES YEAR ENDED MARCH 31, 2006

	Nadeau Township <u>General Fund</u>	Nadeau Township Fire Fund
Taxable valuation	\$ 24 539 740	\$ 24 539 740
Millage rate	1.4227	1.0000
Tax Levy	34 940	24 556
Taxes returned delinquent	3 617	2 540
Current tax collection	\$ 31 323	\$ 22 016

Menominee County	Area <u>Schools</u>	Intermediate Schools	State of Michigan (S.E.T.)
\$ 24 539 740	\$ 24 539 740	\$ 24 539 740	\$ 24 539 740
8.8894	<u>24.1972</u>	2.2797	6.0000
218 335	345 147	55 991	147 233
20 645	32 568	<u> </u>	10 525
\$ 197 690	\$ 312 579	\$ 50 195	136 708

RAYMOND L. PAYMENT

CERTIFIED PUBLIC ACCOUNTANT

617 LUDINGTON STREET ESCANABA, MICHIGAN 49829 PHONE: 906-786-8520 FAX: 906-786-8521

August 25, 2006

PROFESSIONAL BUILDING STEPHENSON, MICHIGAN 49887 PHONE: 906-753-4700

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

Nadeau Township Board Nadeau Township Menominee County, MI

I have audited the general purpose financial statements of Nadeau Township as of and for the year ended March 31, 2006, and have issued my report thereon dated August 25, 2006. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nadeau Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under <u>Government Auditing Standards</u>.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Nadeau Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

August 25, 2006

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ray L. Payment

Certified Public Accountant